



FIGHT IRREGULARITIES AND FRAUDS AND FULLY BENEFIT OF EU FUNDS

Every irregularity or fraud committed will affect YOUR budget

Protection of EU's financial interests



REPUBLIC OF CROATIA
MINISTRY OF FINANCE

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FOREWORD

The Republic of Croatia as a beneficiary country of the EU pre-accession assistance programmes, in accordance with internationally undertaken commitments in the pre-accession period, is responsible to ensure the legal framework for the protection of EU financial interests as well as to ensure the establishment of the effective and efficient system of managing irregularities and frauds in the framework of EU assistance funds.

Throughout the last three years significant steps have been undertaken, by which both operationally and through the adoption of regulations and acts, the AFCOS system has been established in the overall, the role of the Ministry of Finance in the protection of EU financial interests has been clearly defined, the Independent Department for Combating Irregularities and Frauds has been founded, the irregularity and fraud management system has been improved and the inter-institutional cooperation has been enhanced by the establishment of the AFCOS network.

On 14 January 2010 the Government of the Republic of Croatia adopted the National Anti-fraud Strategy for the protection of EU financial interests for the period 2010-2012 as a key strategic document stressing the priorities in the protection of EU financial interests and highlighting the measures for their attainment.

When the Republic of Croatia becomes a full member state of the European Union, new financing sources shall be opened in the framework of structural instruments, Cohesion fund and other instruments available to member states. They will support our development objectives and speed up the growth and the development of Croatian economy and society in general.

Here we are talking about a remarkable challenge with which we should readily tackle. One of the assumptions for a successful and efficient usage of EU funds is also acquiring knowledge on the procedures and rules for the prevention, detection, identification as well as the effective processing of and reporting on irregularities. The pre-accession period is a time of the intensive lessons to be learned in this respect, both in public administration bodies and by citizens.

We have prepared this brochure in order to inform you on the functioning of the AFCOS system in the Republic of Croatia, on the so far achievements in the area of combating irregularities and frauds and on the ways in which you may report on all suspicions of irregularities and frauds.

I sincerely hope that the brochure will help you understand the ways and the importance of reporting on irregularities and frauds.

Ivana Maletić
State Secretary in the Ministry of Finance

OVERVIEW

Since 2007, Croatia has been receiving EU financial aid under the **Instrument for Pre-accession Assistance** (IPA). The allocation for 2010 totals € 153.6 million. IPA assistance to Croatia is implemented under decentralised management according to the five IPA components available to candidate countries.

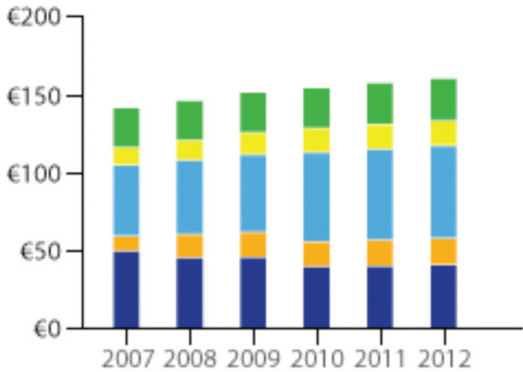
Assistance under these components is deployed in the context of the 2007-2009 Operational Programmes on Regional Competitiveness, Transportation, Environment,

Human Resources Development as well as in the framework of the IPARD 2007-2013 on Agriculture and Rural Development Programme.

In the past, the EU has provided support to Croatia under a variety of financial instruments, including Community Assistance for Reconstruction, Development and Stabilisation (CARDS) (programming years: 2001-2004), **Phare** and **ISPA** (2005-2006) as well as **SAPARD** (2006).

Component	2007	2008	2009	2010	2011	2012
■ Transition Assistance and Institution Building	49,611,775	45,374,274	45,601,430	39,483,458	39,959,128	40,872,310
■ Cross-border Co-operation	9,688,225	14,725,726	15,898,570	15,601,136	15,869,158	16,142,542
■ Regional Development	45,050,000	47,600,000	49,700,000	56,800,000	58,200,000	59,348,000
■ Human Resources Development	11,377,000	12,700,000	14,200,000	15,700,000	16,000,000	16,040,000
■ Rural Development	25,500,000	25,600,000	25,800,000	26,000,000	26,500,000	27,268,000
TOTAL	141,227,000	146,000,000	151,200,000	153,584,594	156,528,286	159,670,852

Source: http://ec.europa.eu/enlargement/candidate-countries/croatia/financial-assistance/index_en.htm



PROTECTION OF EU'S FINANCIAL INTERESTS



The EU budget is financed by taxpaying citizens' money. It is adopted, on a proposal from the European Commission, by the budgetary authority (the European Parliament and the Council). European policies, financed in this way, are intended for the realisation of projects of general interest.

Evading the duties and levies which supply the EU budget, or using Community financing wrongfully, subsequently results in harm to the European taxpayer. For this, in accordance with Article 325 of the **consolidated version of the Treaty on the Functioning of the European Union (TFEU Treaty)** "The Union and the Member States shall counter fraud and any other illegal activities affecting the financial interests of the Union through measures to be taken in accordance with this Article, which shall act as a deterrent and be such as to afford **effective protection** in the Member States, and in all the Union's institutions, bodies, offices and agencies".

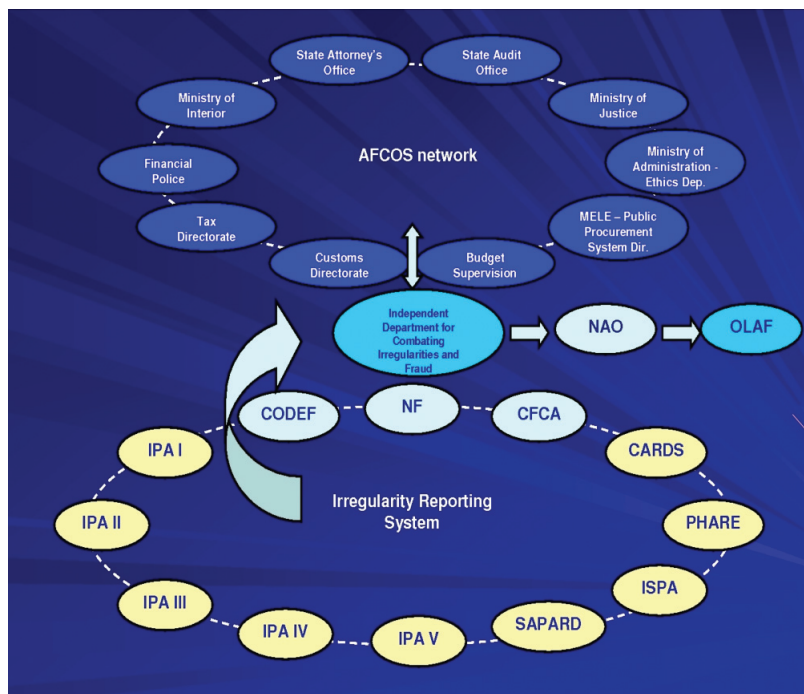
In order to intensify this action, the EU Institutions established the **European Anti-Fraud Office** (known by its French acronym - **OLAF**) in 1999. They also provided for its investigative independence. OLAF carries out all the powers of investigation conferred on the Commission by Community legislation and the agreements in force with third countries, with a view of reinforcing the fight against fraud, corruption and any other illegal activity affecting the financial interests of the European Union.

Over and above the protection of EU financial interests, the responsibility of the Office concerns all the activities connected with safeguarding Community interests against irregular behaviour likely to lead to administrative or penal proceedings.

In order to coordinate the action of the Member States in their fight against fraud detrimental to the interests of the Community, OLAF provides them with the support of the Commission, aimed at organising close and regular cooperation between the competent national authorities. Additionally, the Office, as a Commission service, contributes to the planning and the development of prevention and anti-fraud methods.

OLAF has permanently encouraged every candidate country to establish at national level an **Anti-Fraud Coordination Structure (AFCOS)**. These structures should be responsible for the coordination at national level of all legislative, administrative and operational aspects related to the protection of EU's financial interests.

AFCOS SYSTEM



As a beneficiary country of EU assistance funds, in accordance with internationally undertaken commitments in the pre-accession period, the Republic of Croatia is responsible for ensuring the legal framework for the protection of EU financial interests as well as the establishment of an effective and efficient system of managing irregularities and frauds in the framework of EU assistance funds.

In Republic of Croatia, the protection of EU's financial interests is stipulated in Article 14, paragraph 4 of the Budget Act (Official Gazette 87/2008): "the Republic of Croatia as user of the European Union assistance funds shall ensure the protection of financial interests of the European Union by establishing the system for combating of irregularities and fraud (AFCOS)".

AFCOS is a system through which the coordination of legislative, administrative and operative activities is implemented with the purpose of protecting the financial interests of the European Union and direct cooperation with the European Antifraud Office (OLAF).

In the Republic of Croatia the AFCOS system includes:

- a network of accredited bodies managing and using EU pre-accession funds (The Irregularity Reporting System);
- a network of bodies dealing with combating fraud, corruption or some other form of illegal activities in the system (the AFCOS network);
- the Ministry of Finance - Independent Department for Combating Irregularities and Fraud, carrying out a coordinative role within the system and representing OLAF's contact point.

AFCOS NETWORK

The AFCOS Network has been established by Decision 92/2008 of the Government of the Republic of Croatia, establishing also the responsible persons who are to represent their bodies in the AFCOS Network and defining the tasks of the bodies in the AFCOS Network. The AFCOS Network is established to achieve the full operativeness of the AFCOS system, with the aim of protection of the European Union's financial interests.

The AFCOS Network comprises the representatives of:

- The Ministry of Justice
- The Ministry of the Interior
- The Ministry of Economy, Labour and Entrepreneurship
 - the Public Procurement System Department
- The Ministry of Finance:
 - Tax Department
 - The Customs Administration
 - The Financial Police
 - The Sector for Budgetary Supervision
- The Ministry of Administration
- The State Audit Office
- The State Attorney's Office of the Republic of Croatia.

The tasks of the AFCOS Network are the following:

- cooperation with the Ministry of Finance -Independent Department for Combating Irregularities and Frauds and the European Commission's Fight Against
- Fraud Office (OLAF), related to issues of protection of European Union's financial interests;

- participation in the implementation of the Action Plan for the enhancement of the AFCOS system and the monitoring and enhancement of the effectiveness of the implementation measures of the Action Plan for the enhancement of the AFCOS system;
- participation in the drafting of the Fight Against Fraud Strategy with the aim of protection of European Union's financial interests and the Action Plan for its implementation;
- proposing of legislative and other measures with the aim of efficient protection of European Union's financial interests;
- strengthening of interinstitutional cooperation and exchange of data with the bodies included in the Irregularities Reporting System (bodies which manage and use EU assistance funds) in the cases of reporting of suspicion of fraud and/or corruption or some other form of irregularity in the system, with the aim of
- protection of European Union's financial interests;
- development of training programmes and proposing of new training measures in accordance with the needs of the bodies in the AFCOS Network;
- gathering, monitoring and analyzing data on the measures undertaken in the AFCOS system;
- reporting to the Ministry of Finance - Independent Department for Combating Irregularities and Frauds from its area of activity.

THE INDEPENDENT DEPARTMENT FOR COMBATING IRREGULARITIES AND FRAUD

The tasks and responsibilities of the **Independent Department for Combating Irregularities and Fraud -IDCIF** are established by Croatia Government Regulation no 29/2009 on internal organization of the Ministry of Finance (OG 43/2005, 114/2005, 14/2006, 138/2006, 127/2007 and 14/2008).

Also the responsibilities of the Department are stipulated by Article 8 of Croatia Government Regulation on the Amendments to the Regulation on Managing CARDS, PHARE, ISPA and SAPARD programmes (OG 18/2007, 32/2008) and by Article 7 of Croatia Government Regulation on the Scope and Content of Responsibilities and the Authorizations of the Bodies Responsible for Management of the Instrument for Pre-accession Assistance (IPA).

The Independent Department for Combating Irregularities and Fraud shall be responsible for

- co-ordination of legislative, administrative, and operating activities between bodies in the AFCOS system with a view to protecting the financial interests of the EU and direct co-operation with OLAF,
- the exchange of information on irregularities and fraud with bodies in the AFCOS system and with OLAF,
- ensuring that OLAF experts can perform immediate controls and investigations in the territory of the Republic of Croatia,
- developing vocational training programmes for employees of the bodies in the AFCOS system in co-operation with OLAF and for providing organisational support in the carrying out of the above,

- initiating appropriate procedures based on information collected on an electronic mail address created specifically for the purpose of notifying irregularities,
- the exchange of information with other public sector entities in case of suspicion or notification of suspicion of fraud, corruption or any other form of system irregularity and for making appropriate notifications to the competent bodies in the AFCOS NETWORK,
- monitoring investigation procedures in respect of illegal use of EU assistance funds,
- reporting to the National Authorising Officer on the measures taken and the results of procedures initiated for the purpose of sanctioning detected irregularities,
- receiving, checking and consolidating reports on irregularities in the management and use of EU assistance funds and their delivery to the National Authorising Officer,
- monitoring the recovery of illegally disbursed EU assistance funds,
- maintaining a register of irregularities.

IDCIF receives on a regular basis quarterly irregularity reports. It is important for the Department to receive the notifications on the suspicious of irregularities or fraud so that the relevant bodies can act according to their competences and establish whether an irregularity or fraud has occurred or not in the project. When it is established that the irregularity or fraud has been committed, the competent EU institutions as well as competent national bodies will be informed.

HOW TO REPORT A SUSPICION OF FRAUD / IRREGULARITY TO IDCIF

Anybody can also inform the Department about suspicions of fraud and irregularities affecting the financial interests of the European Union.

The allegation can be send:

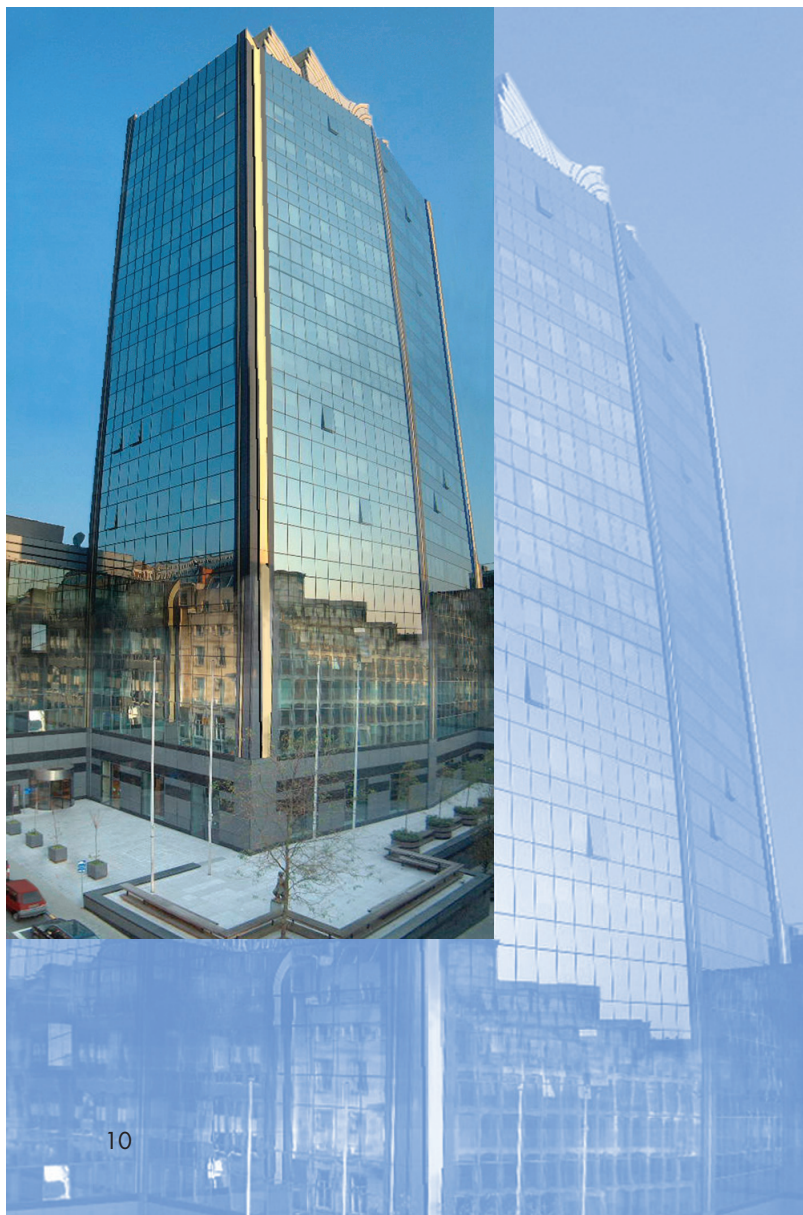
- By letter to: Ministry of Finance - Independent Department for Combating Irregularities and Fraud, Katančićeva, 5 10000, Zagreb, Republic of Croatia;
- By fax to: +385 1 4591 – 248;
- By e-mail to nepravilnosti.eu@mfin.hr.

All contact details:

<http://www.mfin.hr/en/protection-of-eus-financial-interests>



HOW TO REPORT A SUSPICION OF FRAUD / IRREGULARITY TO OLAF



Anybody can inform OLAF about suspicions of fraud and irregularities affecting the financial interests of the European Union. The general rule is: the earlier and the more concrete the information, the better. Any available documents to support the information should be provided as well.

OLAF can be approached in any languages through these different channels:

- By letter to: European Commission, European Anti-Fraud Office (OLAF), Investigations & Operations, B-1049 Brussels, Belgium;
- By e-mail to: OLAF-COURRIER@ec.europa.eu;
- Via the freephone lines (<http://ec.europa.eu/anti-fraud/>);

All contact details: http://ec.europa.eu/anti_fraud/contact_us/index_en.html